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As Summer Hiatus Ends, Lira and Deficit Problems Chill Italy's New Leader

By Alan Cowell
ROME — With almost bewildering speed, the fortunes of Italy's prime minister, Giuliano Amato, have been reversed...

decisions and finance their promises of easy living for the country's 57 million people. In the process, they ran up Europe's biggest public deficit, which could reach \$150 billion by the end of the year.

NEWS ANALYSIS

valuation that would fuel inflation and thereby add to the country's woes. When French voters began to express doubts about the way they would vote in the referendum, casting doubt on the entire future of European union, the bubble burst.



Carmine Alfieri, 49, center, being arrested in Naples on Friday. The police said Mr. Alfieri, missing for 11 years and reputedly a leading figure of the Naples underworld—known as the Camorra—was arrested after a police raid on a bunker below a luxury home in Naples.

Bush Backs Sale of 72 Jet Fighters To Saudis

In Missouri, He Uses Arms Deal as a Weapon 2d Time in Campaign

ST. LOUIS, Missouri — Using an arms deal as a campaign weapon for the second time this month, President George Bush announced approval Friday for the sale of 72 F-15 jet fighters to Saudi Arabia.

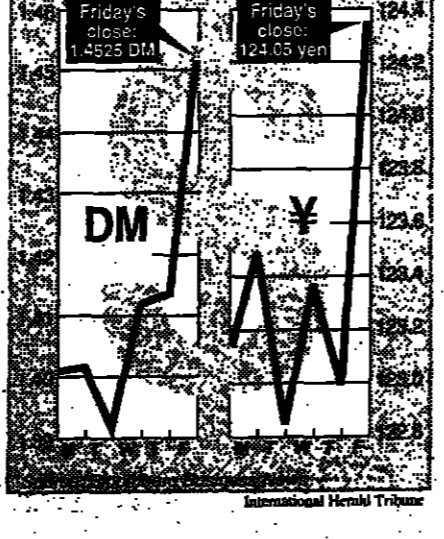
The Dollar Roars Back, at Least for Now

By Carl Gewirtz
PARIS — The dollar, which at midweek was under siege, staged an impressive recovery Friday, following a move up that began Thursday in New York.

no longer in uncharted waters," said Christian Dumas, a London-based analyst at Chemical Bank. "This is a key level. It gives the market a clear signal that a temporary bottom has been reached and paves the way for further gains."

see any recovery in business activity, don't expect the dollar to remain strong." Analysis credited the rebound to the strength of the dollar from an oversold position and to mark weakness, since the yen and the Swiss franc also advanced against the German unit.

The Dollar's Rally



At Jewish Fete, An Ethnic Array Of Sarajevo Elite

By Blaine Harden
SARAJEVO, Bosnia-Herzegovina — The elite of this besieged city did something defiantly normal Friday.

Mitterrand Has Prostate Surgery

PARIS (Combined Dispatches) — President François Mitterrand was in satisfactory condition Friday after undergoing emergency prostate surgery. Doctors said there was no malignancy.

Kiosk

General News
The rebuilding of Homestead Air Force Base in Florida was rejected by a Senate committee. Page 3.

Table with financial data including Dow Jones (Up 0.54, 3,905.70), Trib Index (Down 2.06%, 94.42), and exchange rates for DM, Pound, Yen, and FF.

On Maastricht, A Quiet Prelude To French Vote

By Barry James
PARIS — Inundated by fluctuating opinion surveys about next week's French referendum on the Maastricht treaty, Europeans can look forward to a week of suspense as a legally mandated ban on the publication of poll results comes into effect Saturday night.



ABOUT-FACE AT BUCKINGHAM PALACE — Women in the Royal Air Force Central Band parading Friday during a rehearsal for the Changing of the Guard on Saturday at Buckingham Palace in London. Nine women musicians were to play in the ceremony on Saturday, in the first time in 155 years that women have participated. Queen Elizabeth II was said to be "absolutely delighted."

The Russians Also Weep Fans Swoon Over Mexican Soap Opera

By Michael Dobbs
MOSCOW — A spectator clutched her handkerchief as the six-car motorcade swept up, police sirens blaring. Gaspes of delight rose from the crowd, pinned in by hastily erected metal fences. A dab of pink was visible within a ring of burly bodyguards pushing their way into the television studios.

Ex-Lovers in Chicago Leap From Courtship to Court

By David Margolick
CHICAGO — In a year when lawyers are fodder for just about anyone else, Maria Dillon has another beef with the profession. Because her former fiancé is so much the lawyer, she contends, her busted courtship has ended up in court.

seeking interest, fees and court costs. And, he said, the latest statements from Visa and Mastercard have not arrived.

"Please feel free to call me if you have any questions or would like to discuss any of the matters addressed herein," the letter concluded. It was signed "Sincerely, Frank."

"I've wanted a year's worth of tuition in two months," said Ms. Dillon, who is saving to attend law school, referring to her lawyer's bills. The suit has also given her sleepless nights, prompted her to think of leaving Chicago and driven her back to cigarettes, she said.

CAMPAIGN '92 / DEBATING THE RECOVERY PLAN

ELECTION NOTES

Congress Tackles Bush on 'Family Values'

WASHINGTON — Congress tried to put President George Bush on the defensive on a "family values" issue, daring him to carry out a veto threat against a bill that requires large employers to let workers take time off without pay in medical emergencies.

The House gave final approval to the family-leave bill, 241 to 161, after a debate largely shaped by the discussion about family values in the presidential campaign. Supporters fell far short of achieving a veto-proof margin, which they believe can be mustered in the Senate.

A White House official said that Mr. Bush planned to veto the bill, as he did similar legislation in June 1990, because the president believes the cost of such a federally mandated benefit would cause employers to trim their work forces. "We think the societal cost of this bill is great," the official said.

Advocates minimized the potential cost to employers, citing a General Accounting Office estimate of \$5.30 a year per covered employee. The federal mandate is favored by labor unions but opposed by the U.S. Chamber of Commerce and other business groups.

Among Republican supporters was Representative Henry J. Hyde of Illinois, a prominent conservative and abortion foe who described the bill as pro-family. "Certainly one of the family values is caring about your spouse, caring about your children, caring about your parents," Mr. Hyde said. "To assert that you're for family values, it seems to me, requires you to support this bill."

But the Republican leader, Robert H. Michel of Illinois, said the bill was a setback for families, asking, "How does fewer jobs help families?" He added that the bill was "only about one thing: election-year politics, pure and simple, or at least simple." (WP)

ABC News Takes a Trail Less Traveled By

WASHINGTON — Peter Jennings, the anchorman on ABC television's evening news show, has issued a sort of declaration of independence, trying to liberate his network from the rhetoric of the presidential campaign trail.

"We're aware that a lot of you are turned off by the political process and that many of you put at least some of the blame on us," Mr. Jennings told viewers. As a result, he said, "we'll only devote time to a candidate's daily routine if it is more than routine. There will be less attention to staged appearances and sound bites designed exclusively for television."

Now that the election has only an eight-week sprint left, there is a daily struggle among the candidates and the news media for control of the campaign agenda. The networks, which have their front-line correspondents traveling with George Bush and Bill Clinton, often find that the daily exchange of one-liners makes for irresistible footage.

But ABC is in the process of changing its campaign focus. The new effort began Wednesday with a four-minute segment of Mr. Jennings talking with a focus group of 12 undecided New York voters, one of a half-dozen such gatherings that he will moderate around the country. One telling moment came when he mentioned "family values" — and everyone at the table laughed.

Mr. Jennings said he was "quite shaken" to learn that no one in the focus group knew where Mr. Bush and Mr. Clinton stood on the issues. He said he felt "a little bit of embarrassment" about past coverage and was determined to be "less manipulated" by the candidates. (WP)

Senate Would Bar Drug Aides' Campaigning

WASHINGTON — Responding to charges that the White House drug policy office has become a "propaganda machine" for Republican campaign attacks, the Senate has approved an amendment that would ban top anti-drug officials from taking part in political campaigns.

Proposed by Senator Paul Simon, Democrat of Illinois, the amendment followed a chorus of election-year criticism from Democrats over the role that national drug control policy director, Bob Martinez, has played in President George Bush's re-election effort. Mr. Martinez quickly responded in kind, accusing Democratic senators of "political grandstanding."

In recent months, the normally low-profile Mr. Martinez has stepped up his out-of-town travel, in some cases mixing official business with appearances at Republican fund-raising and campaign events. (WP)

Quote-Unquote

Vice President Dan Quayle, noting that The New York Times had spelled his name "Quale" in a recent edition: "If they're going to insist that I spell the word potato correctly, I am going to have to insist that they start spelling my name correctly." (AP)

Away From the Hustings

- URBAN TENSION — New York police officers dragging suspects out of a van in Washington Heights on Friday. The police presence was increased after a grand jury refused to indict an officer and cleared another in two deaths.
- The Rocky Flats nuclear weapons plant in Colorado is contaminated with three tons of plutonium waste, and the cost of cleaning it up could approach \$1.5 billion, a federal report says.
- A large majority of women army officers and enlisted personnel favor the repeal of regulations that exclude women from combat, according to a survey conducted for a panel that is studying the issue. According to the survey, 73 percent of women should be allowed to volunteer for combat. But only 14 percent of the female officers and 12 percent of the enlisted personnel said they would.
- A flash flood forced the evacuation of hundreds of people in Big Cove, North Carolina.
- Two laboratory workers have been accidentally infected with a form of the AIDS virus found in monkeys, but they show no sign of developing the disease, federal health officials in Atlanta said.
- A commercial rocket carrying nine research experiments lifted off from White Sands missile grounds in New Mexico, but it fell short of the desired altitude when a motor shut down early, officials said.
- The Justice Department accused two men of being Nazi-war criminals and sought to revoke their U.S. citizenship. The department filed suit against Josef Szendi, 77, of Cookeville, Tennessee, and Anton Bless of Lecanto, Florida.
- Seven young men have been charged by prosecutors in Fort Lauderdale, Florida, in the beating death of a 19-year-old Vietnamese-American after he objected to a racial slur.
- An informant whose testimony led to the indictment of Manuel Noriega on drug charges has been sentenced to six and a half years for violating his parole. Boris Morales, who is in the federal witness protection program and has been paid at least \$415,000 by the government for his testimony in several drug cases, was charged with leaving Oklahoma without permission in order to fly to New Orleans.
- Captain Roland McKee, the commander of the Bremerton Naval Hospital in Seattle, was relieved of his duties after a navy investigator found it likely that a female officer nurse at the hospital had been assaulted by two enlisted men. (NYT, AP, UPI, Reuters)

Economic Debate: Can Bush Shift It From the Past to Future?

By David S. Broder and E.J. Dionne Jr.

WASHINGTON — After months of trying unsuccessfully to glamorize or alibi or apologize for his economic record, President George Bush has finally tried to contest Governor Bill Clinton's claim to having the best plan for recovery.

His Detroit Economic Club speech Thursday contained Mr. Bush's clearest acknowledgment of the legitimacy of public pessimism and the most coherent statement of his strategy for improving America's lagging economic performance.

White House officials acknowledged that shifting the political debate from the past to the future would be difficult.

Some Republicans on Capitol Hill complained that the speech was months too late to be credible and represented mainly a repackaging of old ideas.

Clinton aides argued that many of its specific themes had been lifted wholesale from the Democratic nominee's stump speeches.

But with Mr. Bush defining his sharp differences with Mr. Clinton on economy,

taxes, health care, education and the role of government, the framework of a serious policy debate may now be in place. "I would hope we can keep the focus on this subject for at least a week," said one White House official.

But the Clinton forces were quick to

restrict the glut of lawsuits would be popular with voters.

But the political challenge for Mr. Bush is immense: to strip from Mr. Clinton the advantage the Arkansas governor now enjoys among the large majority of voters who list the economy and governmental change as major concerns.

In the most recent Washington Post-ABC News Poll, Mr. Clinton led Mr. Bush 69 percent to 20 percent among voters who listed the economy as an important issue and by 60 to 24 percent among those who said "bringing needed change in government" was a central goal.

In trying to reduce those Clinton margins, Mr. Bush could be hampered by the fact that his rhetoric and ideas Thursday often sounded like themes that Mr. Clinton has long been using.

For example, Mr. Bush's assertion that the average worker will change jobs "10 times over the course of his or her lifetime" is a variation on a line that was a Clinton favorite even before he ran for president.

Mr. Bush's emphasis on education and job training as the keys to improving

America's competitiveness was another longtime Clinton staple.

Even his calls for cuts in White House and congressional staffing appeared to be a reaction to Mr. Clinton's attack on the size of the White House staff under Mr. Bush.

Clinton and Bush lieutenants agreed that the president's speech highlighted major differences between the candidates.

Mr. Bush has clearly staked his political future on a full-scale embrace of free trade — not only with Mexico but also with Latin America, Central Europe and "countries across the Pacific."

On the other hand, it is a challenge to Mr. Clinton, who has historically been a free-trader but has hedged on supporting the just-negotiated North American Free Trade Agreement, which is bitterly opposed by organized labor.

"What Bush is trying to do is to jettison Clinton into making a mistake," said Jeff Faux, president of the Economic Policy Institute and a treaty critic, "either by embracing his North American Free Trade Treaty, which would alienate a large share of his constituency, or by rejecting it, which would contradict what Clinton has already said."

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NEWS ANALYSIS

remained voters that the president who offered his prescription for "an era of great opportunity" was the same man who had presided over what Mr. Clinton likes to call "the worst economic performance since Herbert Hoover."

Historically, election campaigns for incumbent presidents have usually turned into referenda on their records.

By repackaging many of his earlier proposals in a broad analysis of worldwide economic forces and an agenda for "American renewal," Mr. Bush is belatedly trying to refocus on the future.

The speech — prepared by the new White House chief of staff, James A. Baker 3d — represented a sharp break from the rhetoric Mr. Bush used in his Republican

campaign aide, Steve Rabinowitz, physically blocked a network producer when she attempted to ask the Democratic nominee a question when he was shaking hands

between speeches, he ignored questions so steadfastly that one reporter asked, "Governor, what do you like most about the national press?"

Mr. Clinton walked on.

The Democrats had been having a measure of success in keeping the campaign focused on the issue of the day until last week, when questions revived about how much Mr. Clinton knew about the influence that was exerted on his behalf to keep him out of the war.

With fresh evidence of equivocation on Mr. Clinton's part about what he knew and when he knew it, reporters began questioning the candidate again.

Campaign strategists decided to try to limit reporter's access to the candidate after Susan Feeney, a reporter for The Dallas

Morning News, approached Mr. Clinton on Independence, Missouri, last weekend to ask him if there was anything else he wanted to add to his account about the draft to make it more complete.

Mr. Clinton exploded. He accused reporters of taking part in a "feeding frenzy" on an unimportant subject while allowing Mr. Bush to escape scrutiny about his role in the Iran-contra affair.

Ms. Myers said that Mr. Clinton had answered "thousands" of questions about his credibility this year and that Mr. Bush had not been held to a similar standard.

"My point is they could be accessible if they wanted to be," Ms. Myers said of the Bush political operation. "They choose not to be. They control their message."

Clinton Dodges Reporters to Avoid New Queries on the Draft

By Gwen Ifill

LITTLE ROCK, Arkansas — Strung by recurring questions about his credibility, Governor Bill Clinton of Arkansas has taken refuge in answering long-distance questions from television anchors in an effort to control the coverage of his campaign.

The Clinton campaign, which is normally eager to have the candidate appear before the press to criticize President George Bush whenever it looks as if the Republicans might dominate news coverage, instead canceled a news briefing as well as plans to hold a press conference following the president's economic speech Thursday.

The concern, apparently, was that Mr. Clinton might find himself answering nag-

ging questions about the draft during the Vietnam War.

Instead, when Mr. Clinton chose to respond to Mr. Bush's speech, the reporters who cover the campaign were reduced to crouching around a speaker phone at the campaign headquarters in Little Rock, listening to an audio feed of the governor's conversations with three Detroit television news anchors. Mr. Clinton was at the governor's mansion about a mile away.

Dee Dee Myers, the press secretary, said, "It is our right to try to keep the debate focused on the economy."

This is not so different from what the White House routinely does to shelter the president from unwelcome questioning.

But the Clinton campaign has gone to special lengths recently. On Wednesday, a

'It is our right to try to keep the debate focused on the economy.'

Dee Dee Myers, Clinton campaign press secretary

after a speech, Mr. Rabinowitz then scolded the producer for even trying.

And as Mr. Clinton strode back and forth to his limousine or chartered plane

campaign aide, Steve Rabinowitz, physically blocked a network producer when she attempted to ask the Democratic nominee a question when he was shaking hands

between speeches, he ignored questions so steadfastly that one reporter asked, "Governor, what do you like most about the national press?"

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Rebuilding Of Air Base Is Blocked

By Clifford Krauss

WASHINGTON — Dealing a serious blow to President George Bush's \$7.6 billion plan to rebuild South Florida in the aftermath of the hurricane last month, the Senate Appropriations Committee has rejected his proposal to restore Homestead Air Force Base.

The action by the committee, which is controlled by the Democrats, took the administration by surprise, and it provoked a bitter White House reaction that set the stage for another Republican campaign offensive against Congress.

After Thursday's committee vote, a senior White House official hinted that Mr. Bush might veto the entire aid package because of frustration with the Senate committee action.

Members of Florida's congressional delegation said they were considering trying to revive the effort on the Senate floor and in the House to come up with the \$480 million needed to rebuild the base.

But many lawmakers outside Florida have been hoping to close the base, out of fear that rebuilding it could siphon money from posts in their districts and threaten their own future re-election bids.

The air base, an economic anchor in the towns south of Miami, was a candidate for closing even before it was demolished by the hurricane last month. Its reconstruction was considered unlikely until Mr. Bush, responding to criticism that he had acted slowly to deal with the storm damage, traveled to the base, in a politically crucial state, and announced that it would be rebuilt.

To protect his own political flank, Governor Bill Clinton of Arkansas, the Democratic presidential nominee, endorsed Mr. Bush's call for reconstruction of the base, although he apparently did little to persuade Senate Democrats to support the effort.

While the Senate Democrats may have jeopardized Mr. Clinton's outside chance of winning Florida, they can at least bolster their argument that they care as much if not more than the administration about cutting wasteful spending.

After making cuts and additions, the Senate panel approved an emergency aid package that is \$150 million less than the president proposed. The committee voted 12 to 8 to withhold the \$480 million that Mr. Bush had asked.

Instead, it approved \$26 million for cleanup costs, probably doubling the base, which employed about 8,400 military and civilian personnel and generated more than \$405 million annually for the local economy, according to the Pentagon.

1867. Ernest Francillon creates the Longines watch company

125

160

LONGINES

1832. Auguste Agassiz opens a watch business

A double celebration deserves a special challenge: Join the quest for the world's oldest Longines watches. And win a fabulous prize.

How to compete. Take your watch to an accredited Longines watchmaker or jeweller before 31st December 1992. He will identify the watch by its serial numbers, which determine the day and date of manufacture. He will give you a participation certificate.

The prizes of the "Oldest Longines" challenge.

1st prize: An 18-carat gold pocket watch.

2nd prize: The silver version of the pocket watch. The gold watches numbered from 001 to 500, and the silver watches numbered from 001 to 1000.

3rd prize: An 18-carat gold pocket watch from the Ernest Francillon collection.

The first three prize winners will be invited by Longines to Switzerland to receive their watches.

4th to 6th prizes: A wristwatch from the 125th Anniversary collection.

7th to 99th prizes: A 38-page, fully illustrated book on Longines' historical watches.

First prize in the Longines Challenge: the pocket hunter in 18-carat gold is a replica of the watch signed by Ernest Francillon in 1867.

A family memento, a collector's timepiece... you might be the owner of an old Longines watch. Take up the Longines challenge. Win a gold replica of the oldest watch made by Longines or one of many other prizes in the Longines "Oldest Watch" worldwide challenge.

Back to the pioneer. The first celebration marks the founding in 1832 of Auguste Agassiz's watch enterprise in St-Imier. His nephew, Ernest Francillon, joins the business, and becomes the pioneer of the Longines watch.

The birth of a trade mark. In 1867, Ernest Francillon designs and builds one of Switzerland's first watch factories in a field called Les Longines — a local name that is to become world famous. Ernest Francillon is soon recognised as a watch-

maker of rare inventive and creative abilities. In the permanent quest for performance, Longines turns to the great explorers to establish the reputation of its watches in extreme conditions. The Longines watch survives real tests at sea, on land and in the air, to form its character in a spirit of adventure and discovery.

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A recent demonstration of Longines' mastery of time: the Congress Futuro 1616 is a perpetual calendar (re-programmed until 2100).



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As Pressure Builds, Collor Aide Resigns A Setback in Court, as Well

By James Brooke

RIO DE JANEIRO — With impeachment pressure mounting, President Fernando Collor de Melo has accepted the resignation of his top political coordinator and has canceled a trip to the United States.

In another setback for Mr. Collor, the Supreme Court ruled that he must present his impeachment defense before the Chamber of Deputies by Sept. 23.

The president of the Chamber of Deputies has declared that the vote will be by roll call, which further jeopardizes Mr. Collor's chances of influencing deputies who have already committed themselves publicly to vote for impeachment.

Strengthening the pro-impeachment forces are public opinion polls, public demonstrations, the sympathy of Brazil's press and new support from the Roman Catholic Church.

According to a nationwide poll released on Sunday by DataFolha, 78 percent of respondents believe that Mr. Collor is involved in corruption and 75 percent want him removed from office.

UN's Somalia Airdrops Hit Organizational Snag

The Associated Press

BARDERA, Somalia — The United Nations postponed airdrops of food that were scheduled Friday for starving people in rural areas until at least Saturday to better organize ground operations, a UN agency spokesman said.

Also reported to be delayed was the arrival of the first contingent of 3,500 armed UN guards whose deployment in Somalia the Security Council has authorized.

The first 60 of 500 troops from Pakistan had been expected to reach Somalia on Saturday but are not now scheduled to arrive until Monday, said sources in neighboring Kenya, speaking on condition of anonymity.

The airdrops were delayed so relief workers could coordinate operations on the ground, said Brenda Barton, spokeswoman for the UN World Food Program.

order," she said. "Otherwise it could be a dangerous operation."

In addition, U.S. military planes delivering rice, beans, grain and oil to the western town of Belet Uen were forced to return to their Kenyan base because of a dispute among Somali truckers in the village.



MOSCOW CONTRABAND SEARCH — An Interior Ministry militiaman searching a man Friday at the Moscow flea market for drugs and weapons. Officials arrested 26 people.

Iran to Get A-Power Reactor From China

By Elaine Sciolino

New York Times Service

WASHINGTON — In an indication of closer nuclear cooperation, China will provide Iran with its first nuclear power plant, the two governments announced.

In disclosing the agreement during a four-day visit to Beijing, President Hashemi Rafsanjani of Iran said that there were no plans for new military agreements between the two countries, and Chinese officials emphasized that Iran had agreed to allow the International Atomic Energy Agency to inspect the nuclear power plant.

China is building a small nuclear research reactor for Iran in Isfahan and has provided it with a mini-uranium, a small version of the machine that Iran was mass-producing as one component of its nuclear weapons program.

The plant would have to be a much larger, 300-megawatt reactor to produce electricity. Because it would be subject to international inspection, any diversion of nuclear fuel into a weapons program would be easy to prevent.

But the undertaking would solidify Iran's already close technical cooperation with China, which Mr. Rafsanjani said he hoped would expand. "Our cooperation with China has constantly been increasing," he said.

In Brussels, the government announced that it would send 550 paratroopers to Somalia as part of the UN effort to protect relief workers and food shipments from attacks.

Government officials said the soldiers would leave soon for Somalia.

Belgium has already coordinated plans with the United States to send armored cars and helicopters in U.S. transport planes.

The UN operation is expected to cost \$37 million, and the European Community on Thursday approved the unprecedented use of \$27 million in development aid for this military purpose.

A Day Off? What Do We Do? To Some Japanese, School Holiday Is Scary

By Andrew Pollack

New York Times Service

TOKYO — One of the biggest changes in Japan's education system since it was established 120 years ago will take place Saturday: Schools will be closed.

Public elementary, middle and high schools are to close for one Saturday a month to give overworked students a break. Officials say the move is the first step toward a five-day school week.

One Saturday off a month might not seem like a lot of extra leisure time, but in workaholic Japan the new policy has set off a wave of debate, and even fear.

While some educators, parents and students say it will improve the lives of children, others warn that it is the beginning of a descent into laziness that will undermine academic achievement and industrial competitiveness.

"I almost tend to think this is some kind of plot to weaken Japan's economic prowess by attacking the final frontier — education," said Miyuki Ohashi, a professor of sociology at Nihon University.

Others are worried about a more immediate matter: How are students going to fill this free time?

"I have nothing to do unless I come to school," said Atsushi Samida, a 13-year-old seventh-grader at Giza Junior High in Tokyo.

Concerned that children, or their parents, might not be able to come up with ideas by themselves, the Ministry of Education has called on local governments, corporations and cultural institutions to organize activities for Saturday.

Department stores are organizing tours and story-telling sessions to help the cause — and to lure some young customers. A fish cultivation center in Shizuoka will allow children to drive into a tank containing 10,000 red sea bream. Pool halls will throw open their doors to let children play free.

One thing Education Ministry officials do not want to see children doing this Saturday morning is studying.

Japan's education system is often the envy of other countries because it produces a well-educated and disciplined work force. But some scholars say the system robs children of their childhood and turns them into automatons in matching uniforms and backpacks.

Japanese students attend school 240 days a year compared with about 180 days in the United States. There are about six hours a day of schooling on weekdays and three or four hours on Saturday mornings.

On top of that, many students attend private cram schools, or *juku*, on nights and weekends to prepare for college and high-school entrance examinations. Getting into the right college is all-important in determining one's career prospects.

Critics contend that in addition to the long hours, the schooling is geared too much toward rote learning rather than creative thinking.

"Maybe the school education has been too strict, creating kids who are rather unspontaneous," said Masami Zeniya, director of the division of elementary school education at the Ministry of Education.

"We should focus more on raising children who can think by themselves and make decisions by themselves, rather than just accepting knowledge."

The Saturday-off plan, by giving children more time for themselves, is intended to encourage free thinking. It is also part of a push by the government to make people relax more.

Not everyone thinks the Saturday closings will result in more leisure. The Education Ministry, they note, has neglected to change the school curriculum, which calls for a certain number of hours to be devoted to each subject a year.

To meet the requirements, schools are making up for the missing Saturday classes by having students stay longer on weekdays or by scheduling classes at times once used for sports or club activities.

AMERICAN TOPICS

A Bill to Make Carjacking Less Attractive to Criminals

A draft law now before the U.S. House of Representatives would make carjacking — the hijacking of automobiles at gunpoint — a federal offense. Carjacking is one of the fastest-growing crimes in the country. Since 1986, the number of motor vehicle thefts has increased by more than one-third; carjackings are an increasingly large proportion of such thefts.

The bill, sponsored by Charles E. Schumer, a New York Democrat, would double, from 5 to 10 years, the maximum prison term for transporting or selling stolen vehicles.

The most controversial component of the legislation would require major car parts to be marked with an identification number, and dealers and repair shops to call a toll-free telephone number in Washington to determine whether individual parts are stolen.

Short Takes

New York City has 50 health-care workers whose sole job is to visit or track down known tuberculosis patients and make sure they take their pills, usually about 10 a day. The city is fighting an epidemic of TB, with 3,673 cases recorded last year. The highly infectious disease is spread through the air. Two out of five patients stop taking their pills prematurely, health officials say.

How much are you willing to pay for a studio portrait photo? Prices and delivery times vary widely, according to a New York Times survey. A coin-operated booth at Woolworth's variety stores delivers one 3-by-4-inch (7.6-by-10-centimeter) portrait in 5 minutes for \$2. Photo studios at the Sears, Roebuck & Co. retail chain cost \$14.95 for 14 color portraits in various sizes up to 8 by 10 inches. The Bachrach portrait chain charges \$410 for one 7-by-9-inch portrait selected

marked would cost an estimated \$225 million.

A study by State Farm Insurance Companies shows a substantial shift away from stealing cars with marked parts. In 1988, about half of all stolen cars had marked parts; within a year, only 1 in 10 stolen vehicles had marked parts.

More than one-third of the chief executives at the 100 largest charities in the United States were paid \$200,000 or more in salary and benefits last year, according to a survey by The Chronicle of Philanthropy. Three charities — the J. Paul Getty Trust of Santa Monica, California; the Pew Charitable Trusts of Philadelphia; and the W.M. Keck Foundation of Los Angeles, paid their chief executives more than \$500,000 each.

Tool Sparano, a reader of the Los Angeles Times, reported to the newspaper's "Only in L.A." column that when she idly asked the waitress in a West Los Angeles diner which she should order with her scrambled eggs — sliced tomatoes or home-fried potatoes — the waitress snapped, "I can't manage your life for you."

Arthur Higbee

Estimate Rises on Russian Uranium

By William J. Broad

New York Times Service

NEW YORK — A private group says Russia apparently has far more highly enriched uranium than previously thought, raising serious doubts about whether its recent agreement to sell such bomb-grade material to the United States will ensure the scrapping of nuclear arms.

The Natural Resources Defense Council, a private group that tracks nuclear arms, said in a statement from its Washington office Thursday that the new estimate showed the importance of verifying weapons dismantlement as part of arms agreements.

The agreement calls for the United States to buy at least 500 metric tons of highly enriched uranium, an amount experts thought by private agreement to be the total Russian inventory. The United States plans to convert the bomb material into reactor fuel.

But President Boris Yeltsin of Russia said in a recent interview with the Japanese NHK television network that Russia had 1,200 tons of uranium and plutonium in nuclear warheads. "It is excellent fuel for atomic power stations," he said, "enough for hundreds of years."

Christopher Paine, a senior arms analyst at the council, said Mr. Yeltsin's statement was being taken seriously by U.S. intelligence agencies. "If true, it means they were working quite hard," he said.

Pope to Receive Romanian

VATICAN CITY — The Vatican on Friday announced Pope John Paul II's first official appointment since he underwent surgery in July. He will briefly receive President Ion Iliescu of Romania on Monday at the papal summer residence of Castel Gandolfo.

Estimate Rises on Russian Uranium

The danger, the council added, is that Russia might keep a large covert arsenal, and it called on the administration to verify the elimination of Russian warheads.

The White House has generally opposed such programs, in part because it does not want to open up U.S. nuclear plants to foreign inspection. But the Senate Foreign Relations Committee recently directed the administration to adopt such verification procedures in arms agreements, and private analysts say a compromise to do so may eventually be reached.

Advertisement for Air Cargo services, including details on routes, pricing, and contact information for various agencies like Kitty O'Shea's and YUGURAJ.

Crossword puzzle grid with clues for 'ACROSS' and 'DOWN' sections.

Word puzzle section titled 'Lessons for Today' by Frances Hansen, featuring a grid and a list of clues.

Advertisement for 'Oil & Money: Planning for Chaos' conference, featuring a large oil drop graphic and details about the event.

Large banner at the bottom of the page with Arabic text 'مكتبة من الأصيل' (Library of the Original).

OPINION

Herald Tribune

Yeltsin's Pragmatism

Boris Yeltsin deserves sympathetic understanding for his decision not to visit Japan when no face-saving compromise could be worked out for return of four small islands...

Tajikistan and Beyond

The rumbles in Tajikistan suggest that one more part of that vast hinterland where the old Soviet empire and the new Islamic revolution now meet is becoming ungovernable...

Welcome Ideas, if Tardy

President Bush: Welcome to the debate. On Thursday, almost four years after taking office, he issued an "Agenda for American Renewal" that comprises a coherent statement of economic objectives and policies...

The Tragedy in Brazil

For Brazil, a country only recently returned to democracy, the great political scandal developing there has a real element of tragedy. The national congress is now uneasily approaching a vote on the impeachment of President Fernando Collor de Mello...

Hong Kong: To Sail Past 1997, Chart a Course Beyond

By David K. P. Li

LONDON — It is no exaggeration to say that Hong Kong has set out on a unique journey. For its British colony, rather than becoming independent, will be returned to control by its former sovereign state, China...

If Hong Kong, Britain and China stopped making 1997 a deadline, a finish line, then patience would diffuse confrontation, creating a middle ground.

detail the course Hong Kong should follow to reach that point. Unfortunately, its two pilots, Britain and China, sometimes disagree on matters crucial to setting that course...

meanwhile, is suspicious that Beijing is dragging its feet over the airport to dispute it from increasing the pace of democratization in Hong Kong...

Either Way, Europe Will Survive France's Verdict

By Jeane Kirkpatrick

NEW YORK — Though no law required that the Maastricht treaty be submitted to a vote of the French people, President François Mitterrand thought that popular approval would enhance its legitimacy...

Valéry Giscard d'Estaing, Jacques Chirac and François Leotard. It has split leading French industrialists, some of whom believe union is necessary for survival...

vision of European union. It was bound to happen, though Mr. Mitterrand tried hard to assure the French that the treaty constitutes no threat to French identity...

A New 1914? Remember All That Has Been Built

By Stephen S. Rosenfeld

WASHINGTON — Few people, noting multiple American lapses on the race front, would ask whether the American South as represented by David Duke is a re-creation of the pre-civil rights era South...

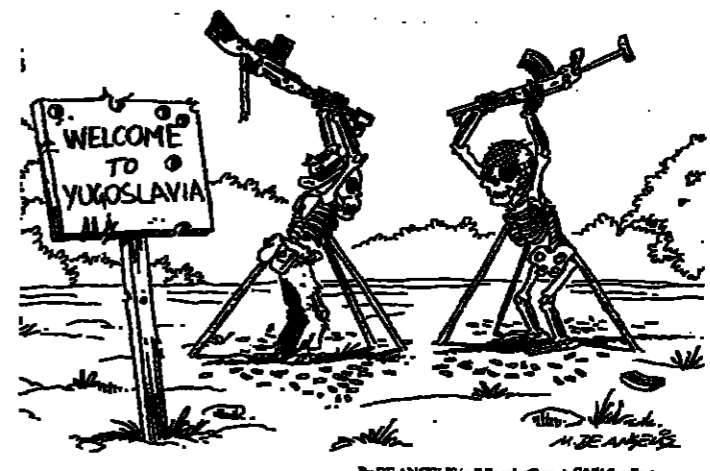
family like one's own but to a house of rowdies who come and go at night. Part of this bleak expectation is buried under common worldly wisdom...

His Snickering on Drugs Doesn't Help

By A. M. Rosenthal

NEW YORK — The movie stuck in my throat. It was not just that I and everybody else in the movie theater were being treated as political morose — captive to left-wing paranoia about America and putting off \$7.50 a head for the privilege...

belong to either party. The day after I saw the movie he helped me out by scheduling a lunch for me with Joe Califano, Mr. Califano, a former secretary of Health, Education and Welfare...



By DE ANGELIS in St. Petersburg, Fla. for the Tribune.

"The 20th century began," writes Joel Kotkin in Points West Review, "with optimism about the prospects of a world in which race and nationality would blend subtly into the background of a unified, enlightened society..."

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

- 1892: Exploiting Cholera. PARIS — The cholera raging at Hamburg has brought about the destruction, in part, of the independence of the ancient city. The Imperial Government has taken advantage of the faults committed by the communal authorities of the free city to cut off some of their rights...
1942: Stalingrad Holds. MOSCOW — [From our New York edition:] Russian troops defeating Stalingrad under orders to "fight to the death" were reported officially today (Sept. 12) to have stopped the Nazi tide in one of the greatest struggles of history...
1917: Japan's Pledge. NEW YORK — Viscount Ishii, chief of the Japanese Mission here, has informed Mr. Lansing that Japan's resources will be utilized for the intensive production of military supplies for Russia...

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NYSE

Friday's Closing

Tables include the following prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

High Low Stock Bid Ask Pk 100 Pk 100 Pk 100 Pk 100 Pk 100 Pk 100 Pk 100 Pk 100

Table with 10 columns: High, Low, Stock, Bid, Ask, Pk, 100, Pk, 100, Pk, 100, Pk, 100. Contains market data for various NYSE stocks.

Table with 10 columns: High, Low, Stock, Bid, Ask, Pk, 100, Pk, 100, Pk, 100, Pk, 100. Contains market data for various NYSE stocks.

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Table with 10 columns: High, Low, Stock, Bid, Ask, Pk, 100, Pk, 100, Pk, 100, Pk, 100. Contains market data for various NYSE stocks.

(Continued on page 11)

NYSE High-Lows

Table with 4 columns: NYSE High-Lows, NEW HIGHS IN, NEW LOWS IN, NEW HIGHS IN, NEW LOWS IN. Lists stock symbols and their high/low values.

AMEX High-Lows

Table with 4 columns: AMEX High-Lows, NEW HIGHS IN, NEW LOWS IN, NEW HIGHS IN, NEW LOWS IN. Lists stock symbols and their high/low values.

THE TRIBUNE

ECONOMIC SCEN

Senators

Liability-Law

Cost Rates

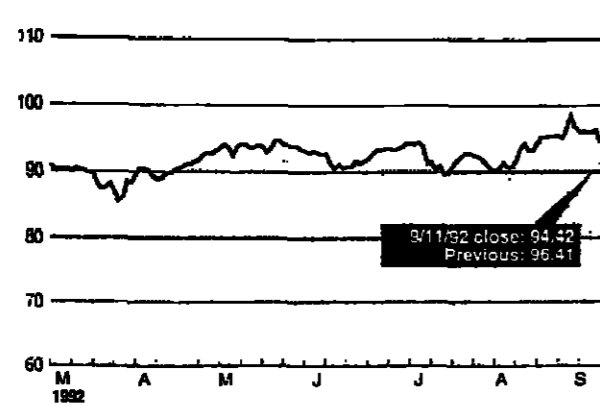
Low Dollar Values

Forward Rates

Handwritten note: 1500 in Arabic script



THE TRIB INDEX: 94.42
International Herald Tribune World Stock Index, composed of 230 internationally investible stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Asia/Pacific	Europe	N. America
Close: 85.29 Prev.: 89.95	Close: 98.31 Prev.: 100.08	Close: 99.63 Prev.: 99.63

Industrial Sectors	PL	Chg.
Energy	96.52	+1.15
Utilities	91.91	+4.23
Finance	84.51	+8.55
Services	95.26	+10.64

ECONOMIC SCENE

U.S. Senators Shut the Lid On Liability-Law Reform

NEW YORK — The U.S. Senate, in killing legislation that would have reduced damages paid to consumers in lawsuits over product liability, looks like it might not quite be ready to take on the trial lawyers. By voting to shut off debate, the Senate rebuffed the Bush administration's efforts to build momentum for reform of the nation's legal system.

To manufacturers, the bill was an opportunity to limit a legal extortion racket that raises business costs. To Ralph Nader and Public Citizen, the sometime allies of the trial lawyers, it was a conspiracy to rob ill-treated Davids of their best weapons of redress against corporate Goliaths.

The driving force behind reform is high insurance premiums.

All this has frustrated economically sophisticated legal scholars, who generally side with business on liability reform, but see the rules as incentives for balancing safety, innovation and low cost.

Robert Litan of the Brookings Institution said he doubted the bill could have much reduced "the bane of the system: manufacturers' uncertainty." And those who would also like to use the law as a safety net in injury cases feared it would have been a step backward. "This game is not worth the candle," said Jeffrey O'Connell of the University of Virginia Law School.

While the public views product liability as a way to compensate the injured, economists focus on deterrence. The economists' core idea, largely derived from the work of Guido Calabresi, dean of the Yale School of Law, is to balance the damage from injuries against the costs of avoiding them — and then to place the liability on the party that can avoid the accidents most cheaply.

See LIABILITY, Page 11

Weak U.S. Economy Keeps Inflation at Bay

WASHINGTON — Wholesale-price inflation all but vanished in the United States in August, the government reported Friday.

The producer price index increased by only 0.1 percent last month, the Labor Department said, while the core rate of inflation — excluding food and energy prices — declined by 0.1 percent.

The rise in the index was the same as in July. It marked the fourth straight month of insignificant increases, bringing the total rate of wholesale-price inflation this year to a seasonally adjusted 1.7 percent.

(Bloomberg, Reuters, AP)

Japan Survey Points to Rate Cut

TOKYO — Japanese managers believe business conditions are at their worst level in 15 years, a Bank of Japan survey showed Friday, and analysts said it was now certain the central bank would lower interest rates to spur growth.

The Bank of Japan's quarterly tankan survey of 7,000 managers found that corporations were reducing investment plans as their financial positions deteriorated. The managers said they were struggling under growing levels of unsold inventories.

"Another discount rate cut is a given," said Cameron Umetsu, an analyst at MIMS International, a market advisory firm. "Now it's just a question of time."

Lyonnais economist, Matthew Berlow, said of the survey, "This means we're not going to get an economic recovery this year."

Still, Finance Minister Tsutomu Hata said Friday that Japan would see bright signs in its economy early next year.

Three weeks ago, the government said it would add 10.7 trillion yen (\$87 billion) to public spending to revive the economy. The package came after repeated credit easing by the central bank failed to revive growth.

Southeast Asia Hails Bush's Trade Proposal for the Pacific

BANGKOK — Southeast Asian nations, anxious to sustain close economic links with the United States, their largest export market, responded favorably on Friday to a proposal by President George Bush that could lead to the creation of a trans-Pacific free-trade area.

In a campaign speech on economic policy in Detroit, Mr. Bush said that if he were re-elected in November he would seek to develop "a strategic network of free-trade agreements" with countries in Latin America, Eastern Europe and Asia.

Analysis said that in holding out the prospect of an eventual merger between American and Southeast Asian free-trade zones, the United States was putting pressure on Japan, China, South Korea and Taiwan to speed up market-opening measures so that they would not be left out.

Lee Hsien Loong, Singapore's deputy prime minister and minister for trade and industry, said the North American and Southeast Asian free-trade areas were both still at a very early stage.

But as they took root, he said, "it would be useful for both sides to have links developed between them."

See TRADE, Page 11

GBL Calls ING's Bid for Bank Too Low

BRUSSELS — Internationale Nederlanden Groep NV is expected to succeed in its bid for Banque Bruxelles Lambert, despite the opinion of the bank's main shareholder, Groupe Bruxelles Lambert SA, that ING's bid valuing the bank at 3.2 billion guilders (\$2 billion) is too low, analysts said Friday.

ING, a Dutch banking and insurance group, said Thursday that it wanted to buy a 6.72 percent stake in BBL being offered by SBH Investments and the Italian holding company Unipar and proceed with a public tender offer for the rest of BBL's shares. ING set a maximum price of 3,600 Belgian francs (\$124 per bank share).

Unipar stake, would decide within a month and then take a position on the ING offer.

"They cannot avoid having an agreement with us," Mr. Moulart said. "If we decide to resist the bid, it will not succeed."

"We would not take the risk of buying the shares above the market price because of the risk of a full bid," he said. "If the shares had been offered at a market price, we would have exercised our right."

Exxon Joins Mobil On Siberia Projects

DALLAS — Exxon Corp. and Mobil Corp., the two biggest oil companies in the United States, have announced that they will join forces to bid on oil-and-gas exploration and production projects in one of Russia's largest oil fields, the West Siberia basin.

The Exxon-Mobil partnership is a rare one in recent years between two corporate giants that mostly have gone separate ways or teamed with other oil companies for 20 years. It revives an alliance whose biggest undertaking, along with Chevron Corp. and Texaco Inc., was developing oil fields in Saudi Arabia under the Aramco banner.

Mobil hope to persuade Russian negotiators to grant them concessions in what many geologists consider to be potentially huge, undiscovered reserves.

"Some geologists believe that the fields are among the world's largest and that Russia's reserves will eventually prove larger than Saudi Arabia's 256 billion barrels. Russia's proven reserves last year were 57 billion barrels.

Americans Score Low on Economic Test

WASHINGTON — As President George Bush could testify, Americans have strong opinions on economic matters. The problem is, many of them lack basic economic knowledge on which to base those opinions, according to a national survey of economic literacy.

How would you do on these questions:
● What is the current unemployment rate?
● What does the Federal Reserve do?
● What happens to exports if the value of the dollar goes up?

Stephen Buckles, the president of the council, which plans to use the figures to make a nationwide push for more economics to be taught in elementary and secondary schools, said everyone needed to know more about economics to make intelligent choices.

"We don't want to turn people into economists, or even sophisticated investors," Mr. Buckles said. "We want them to understand the basic concepts, such as the trade-off between return and risk."

★ ★ ★ ★ ★

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CURRENCY & INTEREST RATES

Currency	Par \$	30-day	90-day	180-day
Australian \$	1.2522	1.2522	1.2522	1.2522
Canadian \$	1.2522	1.2522	1.2522	1.2522
D-Mark	2.3636	2.3636	2.3636	2.3636
French Franc	166.67	166.67	166.67	166.67
British Pound	1.6456	1.6456	1.6456	1.6456
Japanese Yen	108.79	108.79	108.79	108.79

Key Money Rates

Instrument	Rate	Instrument	Rate
1-month Euro	5.50	3-month Euro	5.75
1-month Yen	7.25	3-month Yen	7.50
1-month Dollar	7.25	3-month Dollar	7.50
1-month Swiss	5.50	3-month Swiss	5.75

Zuckerman Advances On N.Y. Daily News

NEW YORK — Seven of the Daily News's nine unions say they have an agreement in principle with Mortimer B. Zuckerman, propping the real-estate developer into front-runner status for acquiring the newspaper.

"We still have a long way to go with Zuckerman, but it is now his to lose," said Michael M. Conroy, a lawyer who is advising the unions.

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See PAPER, Page 11

THE MONEY REPORT

An Interest In Driving Economies

YOU are driving an automobile, a big powerful beast that can travel at prodigious speeds and consume vast amounts of the raw material which powers it.

But unfortunately, that feeling doesn't occur very often. The car you're driving is the latest Western Capitalist (Economy) model.

If all that seems unfairly reminiscent of the Keystone Cops, consider recent events on the economic calendar.

All the above seems moderate when compared to the actions of the Swedish government, which this week raised its domestic marginal lending rate first from 16 to 24 percent, then from 24 to 75 percent.

'Quant' Funds Rush To Beat the Index

By Rupert Bruce

BLACK boxes are being pitted against human money managers and stealing away increasing amounts of fund management business.

While the bulk of these computer-driven, or quantitative, funds have been set up merely to track stockmarket indexes, more and more are playing the same game as the human manager: Trying to beat the index.

Barclays de Zoete World Investment Management, the British firm, has seen the amount of pension fund money it manages in index funds grow to about \$11.5 billion (\$23 billion) today from nothing in 1982.

In the mutual fund industry index funds have attracted large sums of money, but more recently small numbers of the new-style quant funds have been set up in the United States.

Broadly speaking, what all quantitative investment management techniques have in common is the use of computers to make investment management decisions based on analyses of huge databases of information.

Harry Markowitz's Modern Portfolio Theory, written in the early 1950s, gave quant management its theoretical roots.

the career of Dr. Barr Rosenberg, formerly a professor of econometrics and finance at Berkeley University, California.

He was one of the founders of BARRA Inc., a consultancy that supplies "optimization" systems for quantitative managers.

But in 1985, Dr. Rosenberg quit the company to set up an investment manager called Rosenberg Institutional Equity Management, which sought to outperform given in-

'A quantitative approach is systematic and disciplined. It tries to find what drives returns in the market and to analyze essential parts of this is to remove emotion from the process.'

Bill Goodsell, chairman of the Institute for Quantitative Investment Research.

dexes using an active quant technique. It was among the first active quant firms and today manages \$3 billion in the United States and \$1.5 billion in Japan.

Dr. Rosenberg's model works on the assumption that 50 percent of stocks in a market are undervalued relative to the rest. A computer is used to pick out these that are undervalued according to normal yardsticks like assets, earnings and sales.

Apart from this, there is a huge variety of systems. The most primitive is the "bill" fund. This is little more than an index fund weighted toward one or two factors that are expected to provide good performance.

Then there are "tactical asset allocation models." These are factors like macro-economic indicators and measures of recent market volatility to decide when to invest in

Black Box Investing table showing total return in percent of selected quantitative funds, and S&P 500, through Aug. 31, 1992. Includes a diagram of a car's interior with a computer box and wires.

specific global markets. They typically invest through futures and options contracts that follow given market indexes.

The performance on active quantitative funds varies widely, obviously according to what yardstick of index they choose to try and outperform, but also from black box and as the factors that drive markets change.

Rosenberg Institutional Equity Management's U.S. pension funds consistently out-

performed their benchmark until 1990, for example, but since then many have underperformed.

"The market has liked stocks that we think are too expensive and that we think in the long will prove to have been."

THAT is partly explained by the market's recent obsession with expensive "growth" stocks, like drug stocks, and also by the 1990/1991 fixation with the "nifty 50" biggest U.S. stocks, she said.

Mr. Goodsell believes that active quant funds that seek to outperform individual indexes will normally do so by a fairly small

amount that will add up only over a reasonably long period of time. But he thinks that better results can be gained from playing the global game of tactical asset allocation.

"The market is pretty efficient and you have got everybody chasing the same target. You got all those guys out there trying to beat the F.T. All Share (in the U.K. for example). If you pad out globally that does not hold true and that means that you can make an excess return if you do the right sort of thing."

"A well-founded, well-executed technical asset allocator that is systematic and disciplined has a much better chance to add value than an old-style eclectic approach," he said.

U.S. Commercial Auction: Over the Top

By Robert C. Siner

BIDDERS from around the world snapped up shopping centers, cinema complexes, and office buildings in an unusual auction of U.S. commercial property held recently in Los Angeles.

The auction, set up by the international real estate firms of Jones Lang Wootton and Kennedy-Wilson, has already brought in \$150 million in for 26 properties with \$28 million more in offers awaiting the final steps for completion.

The total could easily reach \$250 million or even "a bit north of that" said Garrett Sheehan, a senior director of investment services for Jones Lang Wootton, one of the world's largest real estate services firms.

Jones Lang Wootton and Kennedy-Wilson were so pleased with the results of what had been billed as the world's largest auction — over 60 properties valued at nearly \$300 million — that they plan an encore next April or May.

Other foreign investors included a Japanese-European partnership that made an offer for a Chicago office building and a German firm that is negotiating for the Coast Savings office building in Los Angeles.

not be cost effective for even very large individual properties.

The campaign was able to reach potential buyers who would never have known about the properties if they had been sold individually. Mr. Sheehan explained that it was not cost effective to stage an international promotion campaign for a \$5 million or \$10 million property.

The campaign brought a "a very strong level of international interest" Mr. Sheehan said, with some 1,200 investors from Europe, Asia, and North and South America attending the Aug. 13 sale. He added that the buyers represented "a new universe of investors... coming into the real estate market."

These foreign buyers bidding for smaller properties in "tertiary markets" were examples of how the international promotion campaign "had brought new investors out of the woodwork," Mr. Sheehan said. He cited a Taiwanese investor who bought a hotel complex outside Minneapolis, a Dutch investor who bought a shopping plaza in Richmond, and a Japanese investor who bought a shopping plaza in Minneapolis.

Other foreign investors included a Japanese-European partnership that made an offer for a Chicago office building and a German firm that is negotiating for the Coast Savings office building in Los Angeles.

Mr. Sheehan said that he expected the

soaring Deutsche mark to bring a lot of activity from German investors in the auction planned for next year. Even without the favorable exchange rate, he said, the price — at half of construction costs —, low interest rates and wide availability of financing on the most flexible terms made it "the best real estate market (for buyers) I've seen since the 1970s."

Sellers, Mr. Sheehan said, were particularly pleased by the speedy completion of the sales. Usually transactions of this sort take anywhere from six months to a year before the final papers are signed and money changes hands. However, some of the properties are going to closing in early October less than three months from the day of the auction.

Mr. Sheehan said that another major change was that far more "office and industrial area users" coming into the market. Given the low interest rates, depressed prices and other favorable factors, he explained, many firms are finding it cheaper to buy an office building or industrial complex than rent the space.

Mr. Sheehan said that the low rates and high yields had also attracted a new group of "pure investors." He speculated that many of the previously active investors in the commercial real estate market were licking their wounds from the real estate crash of the past few years and were to be dealing with past problems to make many new investments.

BRIEFCASE

Woolwich Branch Offers Guernsey Dollar Account

A new dollar-denominated offshore deposit account has been launched by the Guernsey subsidiary of the Woolwich Equitable Building Society, a leading U.K. thrift institution.

The U.S. Dollar Account accepts minimum deposits of \$10,000, offers instant access, and pays interest without deduction of withholding tax. The interest payable rises with the amount of money deposited.

Deposits are accepted in any major currency, and conversion is effected at prevailing market rates, free of charge.

Funds may be withdrawn at any time without prior notice. Minimum withdrawal is \$1,000. Electronic fund transfers out of the account are subject to a standard \$35 charge. Otherwise, there are no transaction charges.

For more information, write Woolwich (Guernsey) Ltd., La Tonnel House, Les Banques, PO Box 341, St. Peter Port, Guernsey, Channel Islands; or call Guernsey (44 481) 715 735.

In a Poll, Americans Say They Would Change Jobs

What would a lot of Americans like to do for a living? Something else. That was one of the findings of a recent survey in which 45 percent of respondents said they would change careers if they could.

the poll, conducted by the Roper Organization for Shearson Lehman Brothers, said they found their careers personally and financially rewarding. That means more than a fourth don't mind toughing it out in professions they don't find completely satisfying.

Half of those responding to the telephone survey said the personal satisfaction they get exceeded the financial rewards, while 21 percent liked the money better.

More men than women were happy in both aspects of their professional lives, 21 percent versus 15. Women were more likely than men to appreciate the personal side more; men were more likely to say the financial part was better.

Among the groups that tended to find more personal satisfaction are college graduates, executive professionals and people between 55 and 64 years old. The ones who liked the money better include those 30 to 39 years old, Southerners and blue-collar workers (a surprise), and people with household incomes above \$100,000 (no surprise at all).

Yes, World's Best Hotel Is in Hong Kong and U.K.

Which is the best hotel in the world, and where is it based? The answers to those two questions are, in order: Hong Kong's Mandarin Oriental (according to a recent survey of American Express cardholders), and London.

Why is a Hong Kong hotel based in London, the answer only makes sense in a financial context. As of this week, the primary listing of the company which owns the Mandarin Oriental was transferred from Hong Kong to London, although shares in

Mandarin Oriental International Limited continue to be quoted in Hong Kong.

The company's London-based publicity advisers insist that this is not part of the flight of capital from Hong Kong ahead of Chinese government in 1997, but "part of a growing trend to internationalization in the colony."

Incidentally, the world's second best hotel, according to the 12,000 voting American Express consumers, was the Oriental in Bangkok, which is also part of the Mandarin Oriental stable.

Investment Trusts Drew \$967.6 Million During July

Unit investment trusts, investment companies that buy fixed portfolios of stocks or bonds, attracted \$967.6 million in July, according to statistics published recently by the Investment Company Institute (ICI), the trade association of the U.S. mutual fund industry.

The ICI's figures show that at the end of 1991 unit investment trusts accounted for \$102.83 billion in assets. The majority was invested in bond trusts (\$88.17 billion); variable bond trusts (\$9.72 billion) and equity trusts (\$4.94 billion) constituted the rest.

MESA Inc., Now Listed By Chicago Options Board

Further growth from the derivatives industry: The Chicago Board Options Exchange has added to its list of options contracts. Trading began this week on options on MESA Inc., one of the biggest independent natural gas producers in the United States.

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THE MONEY REPORT

German Property Market: Next to Dive? Markets Waiting for the French Result

By Aline Sullivan

THE determination of Germany's Bundesbank to maintain high interest rates in the face of economic recession and political pressure, especially from Germany's EC partner countries, has prompted fears that the German real estate market — hitherto one of the most stable in Europe — may be the next to nosedive.

Buying Into Germany

Table with 2 columns: City and Price. Includes Berlin, Hamburg, Munich, Cologne, Essen, Frankfurt, Dortmund, Stuttgart, Osnabrück, Hannover, Chemnitz, Dessau, Dresden, Erfurt, Halle, Leipzig, Magdeburg, Potsdam, Rostock, Schwerin.



Sources: Ring Deutscher Makler, Bloomberg Business News

commodate the influx of migrants from the former East Germany to the west and refugees from other countries, analysts said. About 330,000 homes are being built this year with more than 500,000 new homes a year expected on average over the next few years.

per square meter was 13 percent less than the asking price.

Barclays de Zoete Wedd expects commercial development in Germany to grow by 2.5 percent and 2 percent in 1993, well above the increases expected in other European markets but in sharp contrast to the rapid growth of the past two years.

Berlin remains the focus of the commercial real estate market in Germany. Rental values in the city have risen to above 80 DM per square meter from 25 DM at the end of 1989, boosted by news that the government is relocating the country's capital from Bonn.

Worries about prewar claims to land have curtailed development in Berlin and in other areas of the former East Germany, however. A large number of claims have been settled by developers out of court but investors remain nervous that claimants may still come forward.

However, Sacha Hettrich, a director at real estate consultants Jones Lang Wootton in Berlin, said location isn't a problem for investors because Berlin historically has two centers.



Gerald Holtham, chief international economist, Lehman Brothers, London

Almost all the economic news emerging in the past month has been poor, suggesting that economies worldwide are more sluggish than previously thought. That is most strikingly true of the United States where private sector employment in August fell by around 180,000, demolishing hopes that recent reductions in interest rates would reinforce recovery.

Of course the election and the prospect of a Democratic president launching a public spending program could cause even the bond market to hesitate over the next few months. If you wish to avoid that (minor) risk, I still like the Canadian bond market as an alternative. Stick with it.

Most people are heading into Deutsche marks. But I still think a reasonable alternative is to hedge into Danish kroner. The krone is near its ERM floor and will not be devalued against the mark, so there is little exchange risk while there is a substantial interest rate pick-up — around 1.5 percent on three month money.

Selected experts in economics and investment give their opinions, month by month, of the outlook for the world's major economies, currencies and financial markets.

Outlook



Hirohiko Okumura, chief economist, Nomura Research Institute, Tokyo

Japanese inflation is running at an extremely low level, with the wholesale price index currently down 1.0 percent in year-on-year terms and the consumer price index up by just 1.7 percent. The government has, moreover, secured financial surplus (savings minus investment) of approximately \$400 billion from fiscal 1987 to 1991.

Japan's low rate of inflation ultimately reflects the competitive strengths of Japanese business in the international arena. In the medium term, we would expect to see this drive up the yen's value, while at the same time forcing interest rates down.



Nigel Cuming, senior investment manager, Anz Grindlays Bank (Jersey)

The Japanese fiscal package has completely transformed equity market sentiment as evidenced by the strength of the rally. Although the various measures have addressed some of the problems, the problems remain. A continuation of short covering may push the index towards 20,000 but at this level significant profit taking can be expected.

The announcement by the U.K. authorities that they would borrow 10 billion ECU (\$7.4 billion) to intervene to support sterling if required was both imaginative and effective, and had the immediate effect of improving sentiment in both the U.K. and the higher yielding European markets.

Generally bond markets continue to offer excellent value. In most economies inflation is likely to remain dormant for the foreseeable future.

After Foreign Investors' Early Rush to Chinese Stocks, Caution Sets In

By Rupert Bruce

MOUNTING apprehension over China's political problems has taken the fizz out of two of capitalism's latest recruits — the Shenzhen and Shanghai stock exchanges. Up until about three months ago most foreign investors seemed euphoric about the fledgling Chinese stockmarkets.

To buy the new shares being issued was simply to cash in on the economic miracle taking place in southern China and expected to move in the direction of coastal cities like Shanghai, the former cosmopolitan banking center.

But as political storm clouds have gathered, so many investors have examined the markets more closely. Now they find it hard to justify buying a Chinese stock when they can buy stock in a company that operates in China but is traded on the Hong Kong market for as little as half the price.

Bill Ebsworth, managing director for South East Asia of Fidelity Investments, has been skeptical all along. He said: "You can play China from Hong Kong. You have better liquidity, more sound disclosure and accounting, investor protection and price earnings ratios (the ratio of share price over earnings per share) are a lot less for the same parts of earnings growth rates."

Beijing itself has also recently witnessed scenes of public disorder when football fans became violent after a match against a South Korean team.

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Best Performing Hong Kong Funds

Table with 3 columns: Fund Name, Value of \$100, and Performance. Lists funds like Baring Asia Pacific, CIBC-DEP H.K. Warr., etc.

Against that background, the prices of the B shares, which foreigners can buy, listed on the Shenzhen and Shanghai exchanges have fallen dramatically during the last few months.

All this is being brought into sharp focus by the forthcoming 14th Party Congress, due to be held later this year. Foreign investors hope that moderates are promoted who will help secure the continuation of China's economic "open door" policy.

At that point euphoria about the new markets, from Western investors and the Chinese speculators of

Taiwan, Hong Kong and Singapore, had driven prices sky high. More than 25 mutual funds had raised more than \$1 billion to buy Chinese shares. Yet there are still only 17 B share issues available and not nearly enough stock to satiate the billion dollar plus demand.

Albert Kan, manager of Thorson Management's China Fund, said that price earnings ratios, based on expected earnings for 1992, had fallen from as much as 50 to between 20 and 33 on the Shenzhen exchange, while the less sought after Shanghai stocks had ratios of between 12 and 24. But that is still above the ratios on similar Hong Kong stocks. They vary between 12 and 18.

Dudley Howard, investor relations director of the \$101 million Jardine Fleming China Region Fund, which is listed on the New York Stock Exchange, says that the Jardine Fleming Group has so far treated many Chinese stocks "like hot potatoes." The trick has been to buy new issues and pass them onto "the guy behind you" after the initial rise.

He does anticipate the group becoming a significant long term investor in Chinese stockmarkets, but

not until they have matured. The Jardine Fleming China Region Fund, which was launched in July, is not limited to investing in China, it can also buy China plays elsewhere in Asia. Right now, it has yet to receive the U.S. Securities and Exchange Commission's approval to invest in Chinese B shares, and only 16 percent of the fund is invested. That is in Hong Kong-listed China plays.

In particular, Chinese accounting practices need to mature. Not all the companies listed comply with International Accounting Standards. Mr. Ebsworth said:

"You can't go on the numbers. You have to go in there and kick the tires."

There is also the question of liquidity. "If there are any big well-ordered orders they might send a stock down by up to 15 percent over one week," Mr. Kan said. "Some of the orders may take one to two weeks to do. In the last two weeks it has been exceptionally quiet. Most of the funds are not doing anything because of the uncertainty in the market."

But although most say this is not a good moment to buy a slice of China Inc., they are bullish about the long term prospects. Mr. Howard said: "There are few people who doubt that this is an extraordinarily attractive situation when you have a financial market like Hong Kong available for the opening of the hinterland of China. It is fascinating because there is no other emerging market in the last decade which has had a Hong Kong sitting on its door step."

Baring Securities has forecast earnings per share growth of 13 percent during 1993 for Shenzhen's B shares. And the Chinese government has recently upped its GDP forecast for 1992 to 12 percent.

financial performance, 1991 financial highlights and 1991/1992 important developments, strategies and trends.

French Company Handbook 1992 is indispensable for corporate, government and banking executives, institutional investors, industrial purchasers and other decision-makers who should be more fully informed on major French companies.

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Large advertisement for French Company Handbook 1992, including a list of companies and a contact form.

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